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SUBJECT: PART 1 OF A SERIES: FINGER POINTING AND CONCERNS OVER
BUDGET EXECUTION IN BABIL

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REASON: 1.4 (b), (d)

[¶1.](#) (U) This is a PRT Babil cable and is the first in a series on the status of budget execution within Babil.

[¶2.](#) (C) Summary: With the Government of Iraq's announcement that reconstruction funding may be rescinded from provinces that do not spend a certain percentage by the end of June, numerous officials in Al-Hillah are worried that Babil may not hit its mark. The provincial treasurer feels that the bottleneck stems from leadership issues with both the Provincial Council (PC) and the governor's office. Engineer Qasim, once the chief engineer for the PC, sees the entire executive branch as the group to blame but maintains that no one on the council can stand up and bring evidence of corruption out in the open. Finally, the chairman of the PC's Projects Committee believes that the onus should lie on inept contractors and the heavy oversight of the central government. Regardless of who is to blame, all three men agree that Babil faces a serious threat of losing a major part of its reconstruction funding if something is not settled soon. The PRT is working to attempt to forestall a negative outcome. End Summary.

CURRENT OUTLOOK

[¶3.](#) (SBU) As of early May, according to provincial government contacts, Babil province has allocated all of its 2006 budget carryover of 167 billion Iraqi dinars (ID) and spent approximately 60 percent of it. Delays in disbursement have been blamed on bad planning by engineers, cumbersome payment procedures, and lack of experience by employees in financial units, among other factors. A one-year, ten percent warrantee holdback on all contacts is another culprit. In addition, the growing pains associated with transferring roughly one-third of the project management unit (PMU, a 600-person shop that includes a large number of engineers and surveyors and oversees the reconstruction projects within the province) from the provincial council's control to that of the governor, in accordance with 2006 budget regulations, essentially cost Babil a year of improvement in budget execution. Local officials have called 2006's rate of expenditure a "financial disaster" in comparison to the growth and prosperity they see in neighboring provinces such as Najaf.

[¶4.](#) (SBU) In 2007 the Ministry of Finance (MOF) decided that it would disburse provincial budgets in ten monthly tranches of 10 percent each, and Babil received its first payment of ID 14.1

billion about March 6. With the money came authority to begin to contract for projects, some two months earlier than this permission had come in 2006. Although the PC has done its 2007 budgeting, including approximately ID 51 billion allocated to Al-Hillah proper to remedy a lack of projects there in 2006, concern is growing about whether Babil can meet the Government of Iraq (GOI) requirement that provinces disburse 25 percent of their reconstruction budget by June 30 or risk losing unspent allocations.

HAMZA JAWAD KADHUM - BABIL TREASURER

15. (C) Mr. Hamza Jawad Kadhum, the Babil Treasurer, believes that the disbursement and projects portion of Babil's 2007 budget constitute the biggest challenge for budget execution because of the current leadership within the provincial executive and legislative branches. The governor alone has signature authority for disbursing funds once the PC has approved a project, but getting his signature on the appropriate paperwork can take weeks. Hamza is also concerned that the governor's accounting unit (part of the PMU), rather than the Babil Treasury, has day-to-day financial oversight over projects. (Comment: The PRT shares Hamza's concern that this arrangement may lead to mismanagement of funds absent rigorous oversight from the PC. End Comment.) As for the legislative branch, he sees the issue as being not with budget execution - the purview of the executive - but with the PC's project selection criteria. Because most PC members are not from Al-Hillah itself, project approvals have tended to favor other areas of Babil, particularly rural regions with sparse populations. In Mr. Hamza's opinion, these projects divert resources and manpower from the part of the governorate that needs them the most, the provincial capital. Hamza asserts that only a reorganization of the provincial government and a

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reassignment of the financial duties within it will enable Babil to overcome the challenges to executing its 2007 budget.

ENGINEER QASIM HAMMOD JARRAH - PC MEMBER

16. (C) As a member of the Projects Committee, Engineer Qasim Hammod Jarrah reviews and approves contracts for all reconstruction projects taking place in the province. (Note: The Babil PC plans to form a new Project Analysis Committee, on which Eng. Qasim will sit, for the sole purpose of contract review and oversight in hopes of preventing any conflicts of interest and adding greater transparency to the process. End Note.) Qasim shares the Babil Treasurer's frustrations over the budget disbursement bottleneck in the governor's office and believes that the public feels the same way. He cited a recent PC meeting at which a group of 32 citizens, mostly supporters of Slate 310 from which the governor was elected, demanded the governor's immediate removal for failing to provide public services or spur reconstruction efforts within the city. Eng. Qasim also believes that another large source of the problem is that the executive branch, specifically the department heads, now oversees 200 to 300 employees within the PMU but lacks sufficient reconstruction experience to give proper instruction, training, or guidance to them.

17. (C) Despite fearing that Babil will not meet the 25-percent disbursement mandate and will eventually lose its money, Eng. Qasim said that no one on the committee, including himself, is strong enough to be willing to place their reputations, and possibly their lives, on the line by initiating a legislative investigation into the executive branch's poor performance on provincial reconstruction efforts. He hinted that the

governor's inner circle and others who had enriched themselves on reconstruction deals would vigorously and even violently resist any unwanted scrutiny. (Note: Eng. Qasim was the head of the Projects Committee for the PC until February 2007 after being accused of misappropriating reconstruction funds and improper contract assignment. He maintains his innocence. End Note.)

MR. ABDEL RAZAQ - CHAIR OF PC PROJECTS COMMITTEE

18. (C) Unlike Mr. Hamza or Eng. Qasim, Mr. Abdel Razaq Al-Nasrawi, the chairman of the Projects Committee for the Provincial Council, sees the governor's control over funds disbursement as a good way of reducing corruption and removing politics from reconstruction. In his view, the issue with proper reconstruction budget execution lies with the assignment of "bad" contractors who may not complete many of the 2006 projects even by the end of 2007. The governor, he thinks, is right to be threatening them with jail time if they do not begin to produce greater results. Abdel Razaq also feels that if the MOF mandate is not met and Babil loses some of its funding, the failure should fall on the shoulders of the GOI as well. Among other examples of what he considers the ministries' setting provinces up for failure, he pointed to rules by the Ministry of Planning, Development and Coordination banning direct appointment of contractors and doubling last year's required tendering period to 28 days. Abdel Razaq believes that federalism, pushing greater autonomy down to the provincial level, is the answer to remove the heavy hand of the central government.

COMMENT

19. (C) Although each of these three officials is pointing the finger at different groups to explain Babil's weak record in reconstruction efforts, the reality is that very few people within the process truly know how to effectively execute and maintain the provincial budget. The PRT is engaged on the issue and will be bringing on board a fulltime advisor in hopes of ensuring that the budget is adequately executed, that reconstruction efforts get off the ground quickly, and that the citizens of Babil see results to meet their needs and reward their patience.
HUNTER